

CHECKLIST FOR COOPERATIVE DIRECTORS

1. Determine the objectives of the cooperative.
2. Establish clear-cut policies for management to follow.

Both objectives and policies should be in writing and reviewed by the entire board at least once a year.

3. Understand and approve the goals established by management.

(Goals are short-run and usually numerically stated.)

4. Make long-range plans.

Every cooperative should have at least a five-year plan (preferably longer) in writing. It must be continually reviewed and adjusted to meet changing needs. Plans should include sales plans, organization plans, facilities plans, and financing plans. It is particularly important to have at least a five-year plan on sources and uses of funds.

5. Know the intermediate and short-range plans.

6. Establish and use controls.

- a. Inform hired management of what control information the directors need.
- b. Use the information as analyzed for points 1, 2, 3, and 4 above.

The purpose of control is to compare what is actually happening with what was intended to happen. It is not possible to control without reference to plans.

Control is viewed in terms of action rather than in terms of restrictions.

The most effective control occurs when major attention is given to those key business performance (KPA's) which are vital to the survival of the cooperative. For each KPA area there are one or more key indicators (KI's) which alert the board and paid management to needed changes. It is essential to successful control that only relevant and vital information is used as a key indicator. Irrelevant information unnecessarily complicates the control function.

KI's should be few as possible and yet provide the needed information.

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7. Develop external organization, i.e., subsidiaries and approve internal organization.
8. DO NOT DIRECT -- However, the board through its chairman does direct
 - (1) the top paid manager
 - (2) board committees
 - (3) member committees

Individual board members have no more authority than any other member of the cooperative except when in a convened board meeting or as delegated by the board. Individual board members do not have the authority to direct employees of the cooperative.

9. Delegate all operational responsibility and authority to manager. Retain accountability.
10. Coordinate
 - a. Changes -- with objectives.
 - b. Controls -- with plans.
 - c. The management Team (the board of Directors and the manager).
11. Provide climate for manager to grow.
12. Give manager time to MANAGE, i.e., sitting in his chair and thinking.

SAMPLE CODE OF ETHICS
for a
Cooperative Board of Directors

The Board of Directors believe it to be expedient and proper to adopt a Code of Ethics to clarify any uncertainty which may now or in the future exist, regarding the authority exercised by the board, or individual board members, and general rules applicable to board members' conduct of Association business. The bounds of authority as proposed herein appear to us as a medium by which greater unanimity and closer coordination can be effected between board members, and among board members, management, and employees.

The Board recognizes its authority as being limited to establishment of policies deemed beneficial to the Association; to employing a manager to have charge of the business of the Association under the direction of the board, and to effecting other duties as outlined by the Bylaws.

The Board member recognizes that, except when the board is in formal meeting, his authority is equal only to the rights and authority of any individual member of the Association.

The Board recognizes the authority of the manager given in the Bylaws. (Under the direction of the Board of Directors, the manager or acting manager shall employ, supervise, and discharge all employees, agents, and laborers.)

The Board agrees that while an individual board member may disagree with a policy or action adopted by majority vote of the board, he should support said policy or action as being the considered judgement of the board. The individual member shall have the right and duty to present further evidence and argument to the board, and the board shall have the duty of reconsidering upon proper evidence.

The Board agrees that an individual board member shall not discuss disputed board actions or policies with growers or others except for counsel and then with the utmost discretion and in a manner which will foster confidence in our Association.